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MONTANA LEGISLATIVE



E. K. BOWMAN  
CHAIRMAN

State of Montana  
BOARD OF HAIL INSURANCE  
HELENA, MONTANA

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STATE TREASURER

December 28, 1960

Hon. Don Nutter, Gov., and  
Members of the 37th Legislative Body,  
Capitol Building,  
Helena, Mont.

Preliminary report on the 1960 operations of the State  
Hail Department.

1960 was another favorable year for the Department. The losses were under average but the volume of hail insurance was the largest of all years. Because of this it will be some time before we can give you some of the details of the experience. We are working now on a classification which will give us the acres insured of each kind of grain in each county together with the premiums and losses on each crop.

For the present here are the most important details.

BUSINESS SUMMARY COMPARISON

	1959	1960
Total Risk Written .....	\$ 7,135,784	\$ 8,171,098
Premium Charge .....	562,468	652,107
Losses Paid .....	217,108	452,565
Policies Issued .....	2,536	2,843
Acres Insured .....	656,935	Not Avail.
Acres Reported Damaged .....	57,078	116,484
Losses Filed .....	222	515
Days with Hail .....	31	34
Loss Ratio (risk vs. loss) .....	3%	5.5%
Average Rate (all crops) .....	7.9%	8%
Net Rate After Refund .....	5.5%	6%

**Refunds.** Because the total assets of the Hail Insurance Fund are considered ample for the payment of any serious run of hail losses which may occur the Board has decided to pay back 25% of the 1960 premiums to the insured. It may be late in the winter before this refund is made but it will go out as soon as we can arrange it after the bulk of the 1960 premiums have been sent in by the county treasurers.

**State Hail Fund Has Been Successful.** It was inaugurated in 1917 and has passed through many critical times. The 1918 losses were prorated because of disastrous losses and too low a rate. These prorated losses were never paid. Neither the farmers or the State would agree to pay them. The law was amended to provide means of taking care of prorated in some years but all losses since 1918 have been paid in full and in recent years a very ample reserve fund has been built up. This has all been done at no cost to the State.

**Legislative Suggestions.** The State Hail Board is suggesting to the Governor and Legislature that the Hail Insurance Laws be amended to arrange for a return of something like one per cent (1%) of the premiums to the counties of their origin to reimburse them for the office work done in writing up the hail insurance. There is such a large volume of Hail Insurance in some counties that it requires the services of some extra help for a short time. The Board believes that the percentage recommended would about cover the extra expense incurred in any county. This amendment to the Hail Laws and possibly other small changes will be submitted directly to the Legislative members after they convene.

On the whole the State Hail Fund has carried a little less than 20% of the hail insurance in Montana on grain. However the operation of the Hail Fund has introduced a healthier condition in the hail insurance field. The contracts with farmers for their hail insurance has been liberalized and the quality of the adjustments has been improved.

During the early 1910's many disastrous hail storms struck Montana grain fields. Hail insurance cost from 10 to 15 per cent over much of the grain areas. In addition to what seemed an undue burden for hail premiums many considered the terms of the policies and the adjusting methods unfair. The result of this was the start of the State Hail Insurance Fund in 1917. Since that time the rates have been sharply reduced in many parts of the state and the terms of the policies and methods of adjusting have been greatly improved. While the State Fund only carries a nominal amount of hail insurance per acre, the writing of this has been of great benefit in regulating the rates and terms of the hail insurance policies generally.

**Cost of Operating the Hail Department.** Our annual report covering 1959 operations show it cost \$27,799 to operate the State Fund which was 4.9% of the premiums. The total operating expense for 1960 will be slightly higher but the operating expense will be slightly lower (about 4.6%) because of the larger volume of business. There is no other known form of handling hail insurance which has anywhere near as low an operating cost. The actual operating costs for the Hail Department for 1960 together with much other pertinent information will be contained in the Annual Report to Montana Grain Growers which is issued at a later date. Copies of this will be mailed to the Governor and Legislators.

**Hail Department Expense Is Much Less Than Budget Allowance.** During recent years we have used from \$5,000 to \$6,000 less each year than was allowed in the budget. We have been experiencing lower loss ratio years so we don't spend the budget amount just because it was available. We are however asking a small increase in the Budget allowance despite the facts listed above. This is because the total volume shows signs of getting some larger. Besides this we may again strike some of the severe loss years like 1946, 47 and 48 when we had from 700 to 900 losses filed annually. It is possible that we might even get more than 900 losses in a year. If we do the increased amount we are asking will still not be enough to cover the total expense.

**Distribution of the Hail Insurance Dollar.** Since the Hail Insurance Law was revised in 1919 the money paid for hail insurance premiums to the State Hail Fund are accounted for as follows—

72% of the premiums were paid on losses.

3% has been paid back in refunds.

20% is being held in Reserve for future heavy loss years.

95% of the amount paid in premiums is available for payment of hail losses.

**1960 Hail Losses.** They were moderate totaling \$452,499. The average loss ratio was 5.5% against an all year average of 5.9%. Following are the counties having the severest losses—

County	Premiums	Losses
Daniels .....	\$ 25,599	\$ 61,369
Fallon .....	13,604	24,618
Richland .....	45,863	86,483
Roosevelt .....	17,836	27,283
Toole .....	43,482	81,286
Valley .....	7,834	33,319
Wheatland .....	2,817	4,476

The most severe and widespread losses of the season were in August on the 3rd and 4th in Fergus, Judith Basin, Valley, Daniels, Richland, Roosevelt and Sheridan Counties. The heaviest July losses were on the 1st and 3rd, then again on the 11th and 12th. Scattered hail occurred in many counties but we were fortunate in receiving little or no losses in some counties with large concentrations of hail policies. Here are some samples of light loss counties—

County	Premiums	Losses
Big Horn .....	\$ 46,682	\$ 792
Chouteau .....	28,704	3,024
Hill .....	45,668	7,092
Judith Basin .....	34,828	6,906

**Investments and Earnings.** The Reserve Fund of \$1,200,000 has been fully invested. Also we have invested \$200,000 of the current balance when it was evident that it would not be all needed. Following is a list of the items invested—

Item No.	Amount	Interest Rate	Bonds or Notes of—	Maturity Date
1. ....	\$100,000	4 $\frac{3}{8}$ %	U. S. Treas.	May, 1961
2. ....	\$100,000	4 $\frac{3}{8}$ %	U. S. Treas.	May, 1961
3. ....	\$250,000	4 $\frac{7}{8}$ %	U. S. Treas.	Nov., 1963
4. ....	\$500,000	3 $\frac{1}{2}$ %	U. S. Treas.	May, 1961
5. ....	\$450,000	4 %	F. L. Bank	Oct., 1965

The total income from the above listed investments will amount to over \$60,000, all of which was promptly put into the State Treasurers hands for the credit of the State Hail Fund. The adjusting of the hail insurance appraisers continued very satisfactory through 1960. There were less than half a dozen cases with any serious argument. All except one of these were settled early in the fall and it is believed the one remaining is settled.

In closing I wish to commend the cooperation received from the county assessors and Treasurers. Their work has been quite accurate and prompt. Their good work and that of the adjusters has been a large factor in the successful operation of the Department.

If at any time further information is desired it will be promptly furnished by the State Hail Insurance office if possible.

Respectfully submitted for the  
State Board of Hail Insurance  
By E. K. Bowman, Chairman.

**42 YEAR SUMMARY STATEMENT**  
**1919-1960 Inclusive**

Total insurance written .....	\$128,440,765
Total premium charge .....	10,620,557
Total losses paid .....	7,601,632
Policies issued .....	75,495
Total acres insured (not available yet) .....	
Losses filed .....	15,832
Loss ratio (total risk vs. losses paid) .....	5.9%

The table below shows the break down of the total losses paid for the 1960 season by kinds of grain:

Winter Wheat .....	\$ 72,015.76
Spring Wheat .....	263,457.08
Barley .....	78,869.08
Mustard .....	16,791.57
Rye .....	12,170.00
Flax .....	3,185.64
Oats .....	5,049.48
Safflower .....	223.20
Speltz .....	300.00
Sugar Beets .....	456.00
Corn .....	48.00
Total Losses .....	<u>\$452,565.81</u>